

November 20, 2014

*Mexico Innovation Policymakers'
Forum*

Wilson Center – Mexico Institute

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*Information Technology
and Innovation Foundation*



ITIF is a public policy think tank committed to articulating and advancing a pro-productivity, pro-innovation, and pro-technology public policy agenda internationally, in Washington and in the states. ITIF focuses on:

- Innovation processes, policy and metrics
- Science policy related to economic growth
- E-commerce, e-government, e-voting, e-health
- IT and economic productivity
- Innovation and trade policy
- Clean energy

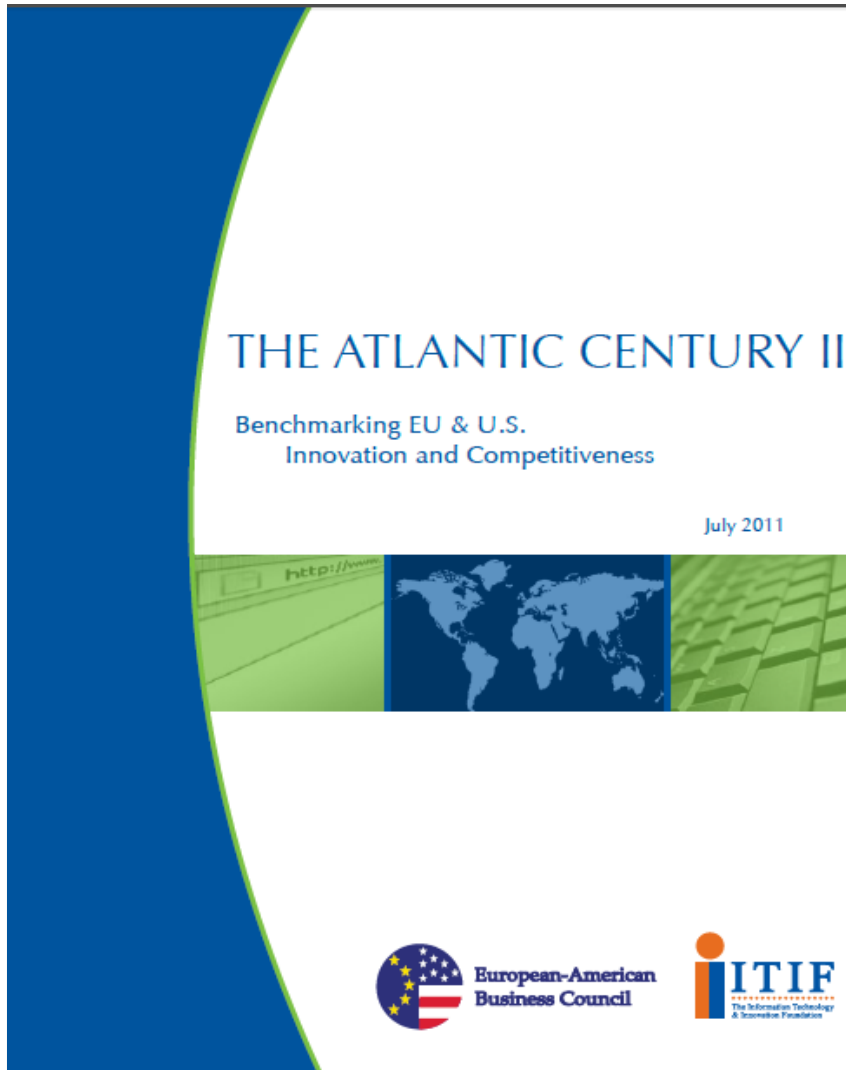


What is Innovation and Why Does It Matter?

- **The improvement of existing or the creation of entirely new products, processes, or services.**
- **The creation of new value for the world.**

- **It's the core driver of modern economic growth.**
- **90% of the variation in the growth of income per worker across nations is attributable to innovation.**

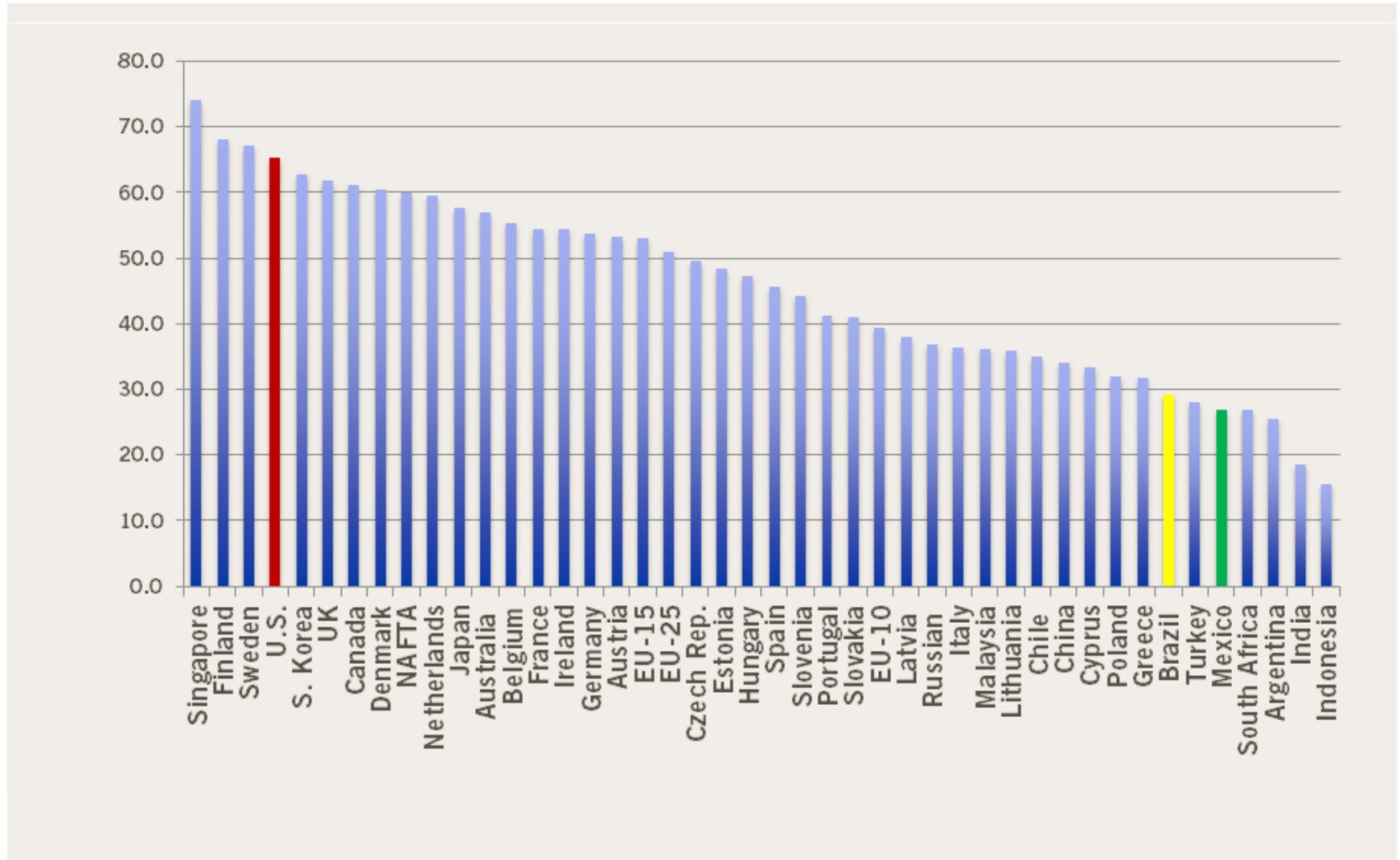
The Atlantic Century II



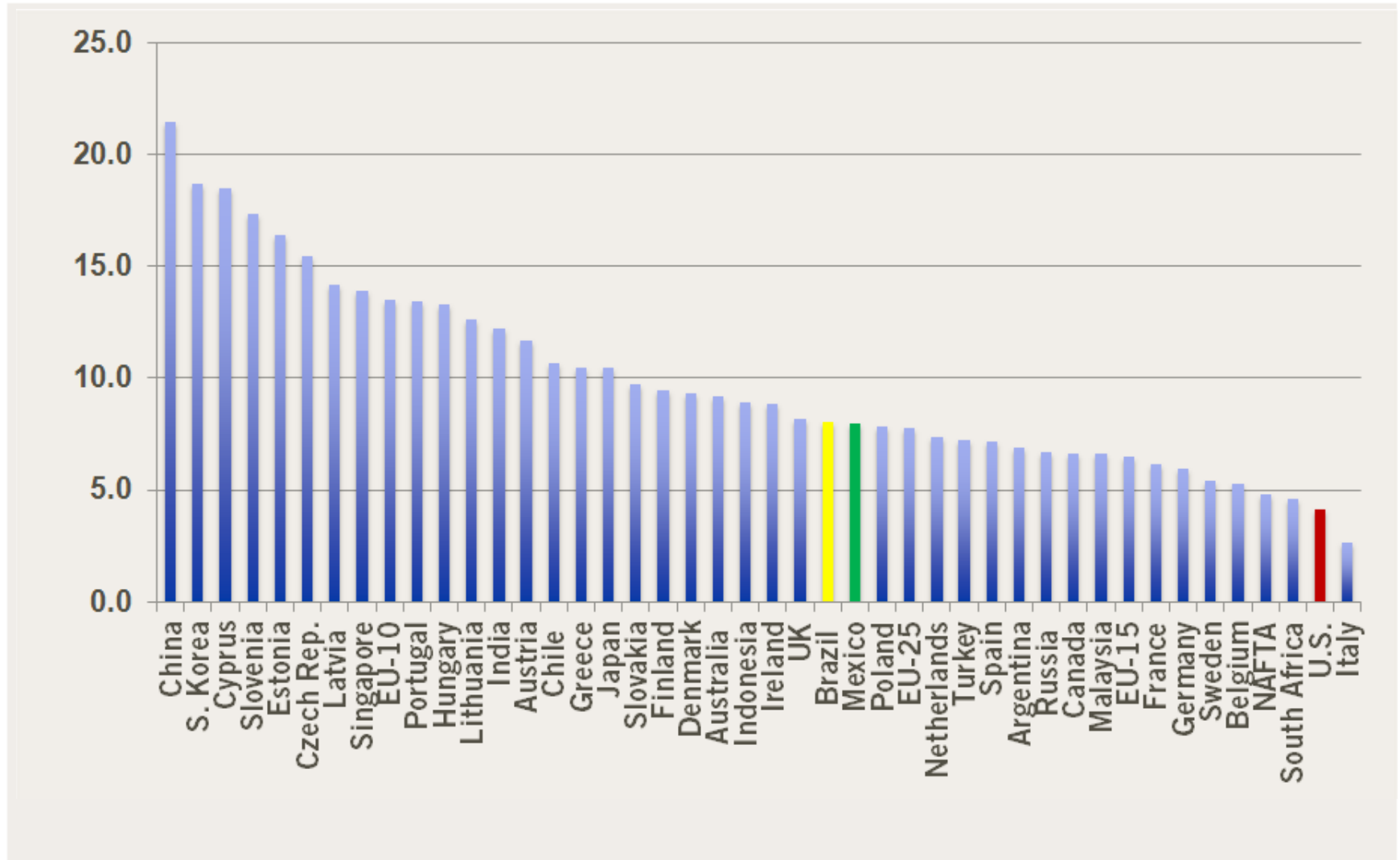
- **The Study:** compares innovation-based competitiveness of 44 nations and regions.
- **16 indicators:** including corporate and government R&D, scientists and engineers, new firms, corp. tax, productivity growth and others.

<http://www.itif.org/files/2011-atlantic-century.pdf>

Overall Score for Global Competitiveness and Innovation (2011)



Overall Change Score (1999-2011)



Mexico's Ranks (2011)

Five Highest Factors

- **Venture Capital (25)**
- **E-Government (29)**
- **Trade Balance (29)**
- **Business Climate (30)**
- **Foreign Direct Investment (30)**

Five Lowest Factors

- **Broadband Composition (37)**
- **Publications (37)**
- **New Firms (37)**
- **Business R&D (39)**
- **Scientific Researchers (42)**

Mexico's Ranks on Rate of Change (2000-2011)

Five Highest Rates of Change

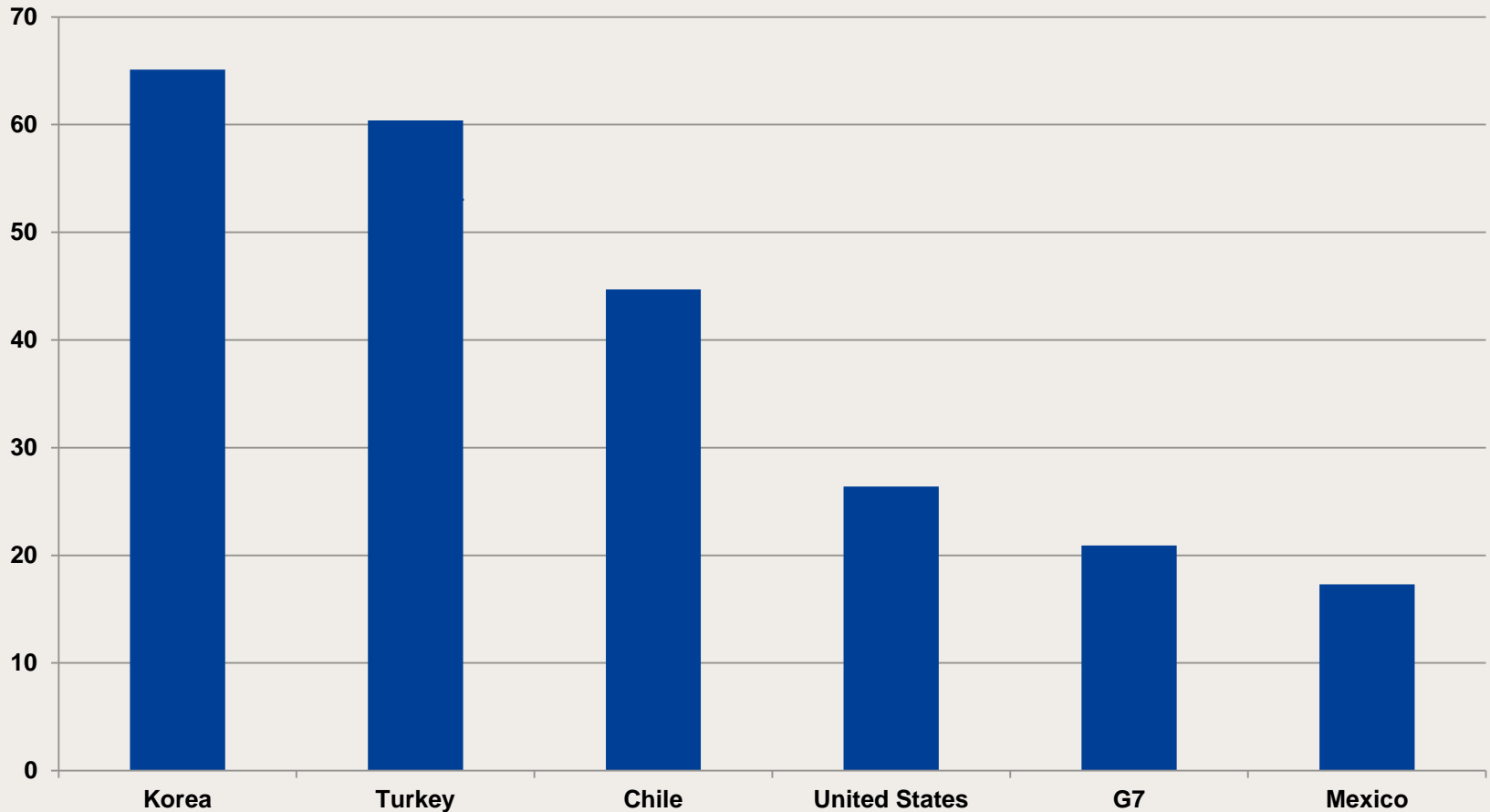
- **IT Investments (4)**
- **Business R&D (6)**
- **Government R&D (14)**
- **Researchers (14)**
- **New Firms (18)**

Five Lowest Rates of Change

- **Scientific Publications (32)**
- **E-Government (37)**
- **Broadband (37)**
- **Productivity (38)**
- **GDP Per Adult (43)**

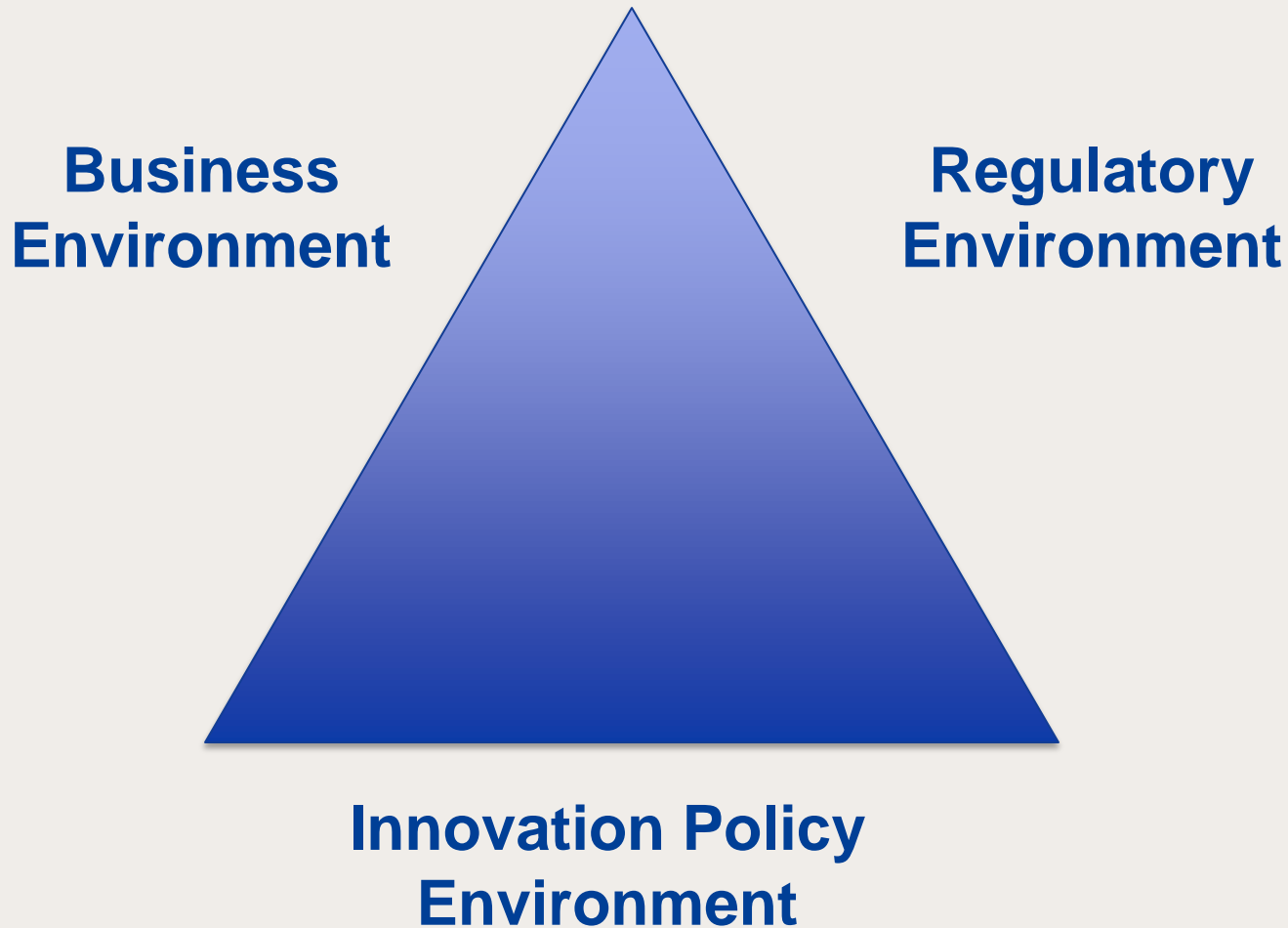
Mexico's Key Challenge: Productivity

Labor Productivity Growth Rates, 2000-2011



Source: Organisation for Economic Co-operation and Development

Maximizing Innovation: Get the Innovation Triangle Right



Business Environment



1. Vibrant capital markets
2. High levels of entrepreneurship
3. Strong management skills
4. Strong ICT adoption, especially among business
5. Embrace dynamic churn and change (e.g. creative destruction)

Regulatory Environment



1. Transparency and the rule of law
2. Protection of intellectual property (and other property rights)
3. Ease of starting a business
4. Pro-competition anti-trust and regulatory policies
5. Efficient product approval process (e.g., for new medicines)

Innovation/Technology Policy Environment

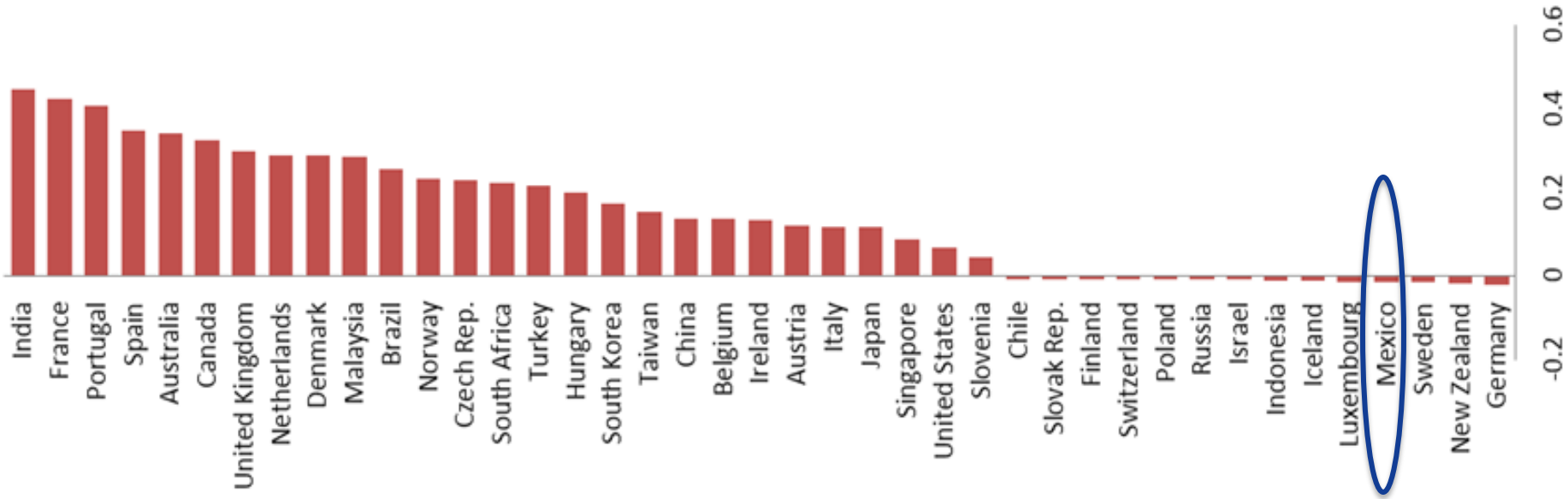


1. Funding for research, especially that which is commercially oriented
2. Incentives to invest in R&D, capital equipment, workforce training
3. Supporting technology transfer from universities and national labs
4. Strong STEM education system
5. Active policies to spur digital transformation

Policy Recommendations for Mexico's Legislature

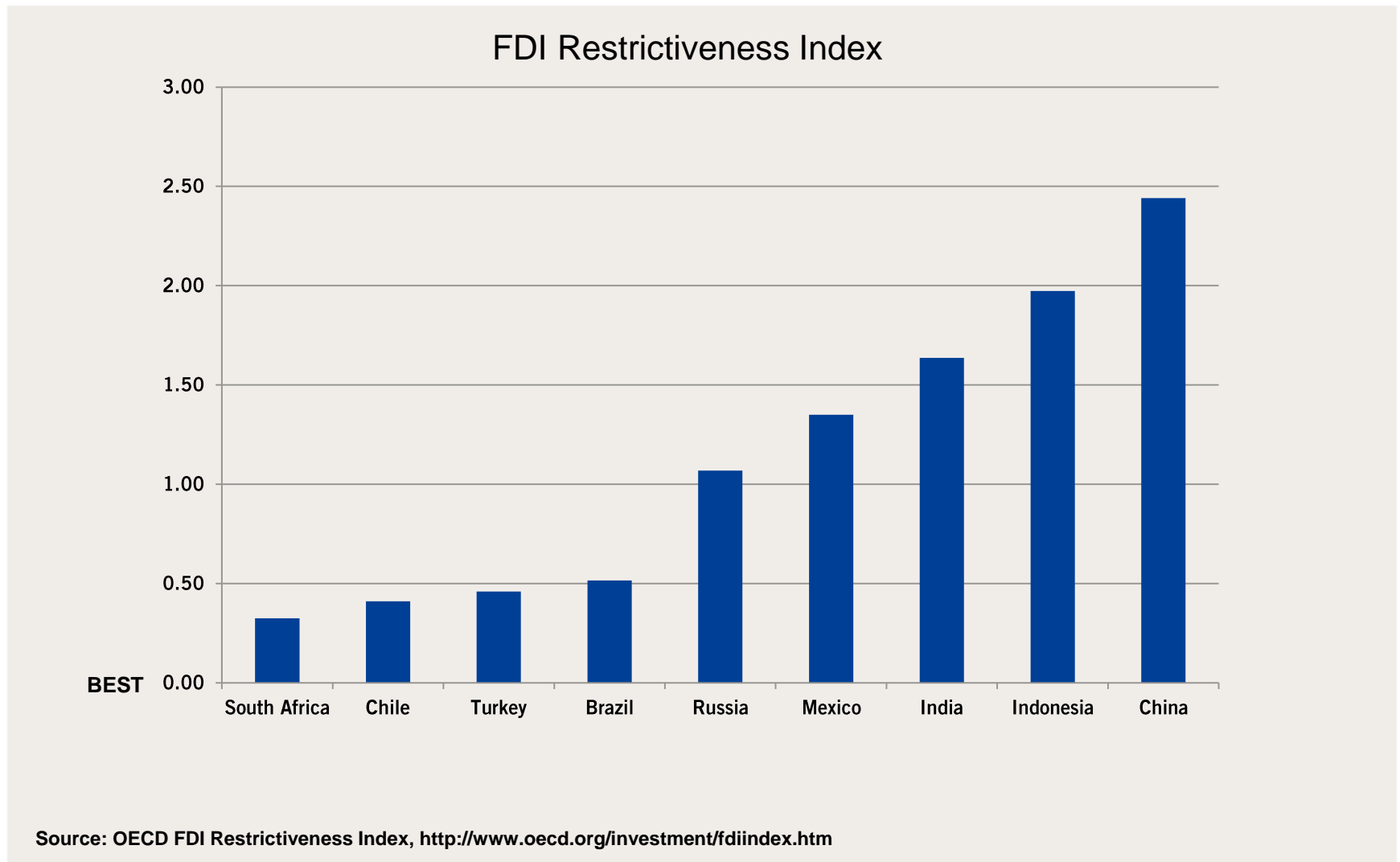
- ✓ Turn Mexico's universities into engines of innovation.
- ✓ Enhance enterprises' incentives to invest in R&D.
 - Generosity, collaborative R&D credits, and inn. vouchers.
- ✓ Enhance enterprises' incentives & ability to invest in new plant, machinery, and capital equipment.
- ✓ Remove barriers to FDI (31st of 40 nations in OECD's RRI)
- ✓ Enhance investments in public health.

Comparative R&D Tax Credit Generosity



Source: We're 27th! The United States Lags Far Behind in R&D Tax Credit Generosity
<http://www2.itif.org/2012-were-27-b-index-tax.pdf>

Comparative FDI Openness



Thank you!

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